

Department of Social and Health Services

DP Code/Title: M2-UB DCS Bank Account Fund 753 Balance

Program Level - 060 Economic Services Admin

Budget Period: 2003-05 Version: F2 060 2003-05 2004 Sup-Agency Req

Recommendation Summary Text:

The Division of Child Support (DSC) Local Bank Account Fund 753 currently has a \$2.9 million negative balance, which will grow to more than \$3.4 million by the end of this state fiscal year. This proposal would enable DCS to achieve a positive book balance in the Child Support Service Account. Statewide result number 5.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	3,400,000	0	3,400,000
Total Cost	3,400,000	0	3,400,000

Staffing

Package Description:

The DCS Local Bank Account Fund 753 is the account established to process the collection and distribution of child support for non-TANF (Temporary Assistant for Needy Families) cases. The account has a projected negative book balance of approximately \$3.4 million by the end of State Fiscal Year 2004. One of the factors contributing to the negative book balance is the accelerating flow-through of child support payments. This is primarily caused by the 48-hour federal distribution policy and the increasing use of electronic media to distribute payments.

The 48-hour rule requires DCS to distribute child support payments before the incoming child support payment has cleared the bank. When DCS issues a payment from the local bank account fund and subsequently learns that there were insufficient funds to cover the incoming payment, a "receivable" (i.e. debt) is established against the Custodial Parent (CP). DCS also intercepts federal income tax refunds of Non-Custodial Parents (NCP) and distributes that money to the CP without delay. If the NCP and his/her spouse subsequently file an "Injured Spouse Return" with the IRS, DCS must refund half of the intercepted IRS monies back to the spouse of the NCP, again creating a receivable. The division continues to devote staff resources to collect on these accounts, but Welfare Reform law precludes DCS from collecting receivables from CPs until all current and back child support has been paid to the family. As receivables increase, the book balance decreases.

The Child Support Program received \$2.3 million GF-S in 1995 from the Legislature to balance the local bank account. At the time of the supplemental appropriation, it was recognized that the Fund 753 receivables represent a cost of doing business.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Maintaining a positive book balance is prerequisite to performing the core function of collecting and distributing child support and to managing the Washington State Child Support program responsibly and effectively. Continued collection and disbursement of child support within state and federal timeframes is the key indication that expected results are being met.

Performance Measure Detail

Goal: 09Z A safety net is in place for people in need.

No measures submitted for package

Program: 060

Incremental Changes

FY 1

FY 2

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Goal: 02F Maintain safety net for people in need.

Incremental Changes

FY 1

FY 2

No measures submitted for package

Reason for change:

The DCS Local Bank Account Fund 753 Balance is projected to have a negative book balance by the end of this state fiscal year. The Office of Financial Management (OFM) has indicated that the account should reflect a positive balance. Additional GF-S funding is required to give the account a positive balance.

Impact on clients and services:

The addition of funds will allow the division to continue to collect and distribute child support funds to clients without a disruption in service.

Impact on other state programs:

None

Relationship to capital budget:

Not applicable

Required changes to existing RCW, WAC, contract, or plan:

Not applicable

Alternatives explored by agency:

The division explored the feasibility of using program dollars to offset the negative book balance. However, this was not possible for two reasons: 1) The division did not have a surplus in operating funds and Washington State statute precludes co-mingling of operating funds with child support funds.

In addition, the Federal Office of Child Support Enforcement (OCSE) regulations prohibit the use of federal funds to resolve the negative book balance situation. Although DCS makes every effort to minimize receivables, most of the increases are beyond the control of the division. DCS is precluded by a RCW from using operating funds to offset the negative book balance. The situation can only be remedied with a special appropriation and then, only temporarily.

Budget impacts in future biennia:

There is no bowwave effect however, a periodic infusion of funds in the local child support account will be necessary. The cash last infusion occurred in State Fiscal Year 1995.

Distinction between one-time and ongoing costs:

This is a request for one-time funding.

Effects of non-funding:

The effect of non-funding will result in the division's inability to distribute child support funds to clients.

Expenditure Calculations and Assumptions:

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As of July 31, 2003, the negative book balance was \$2.9 million. The average monthly increase in receivables was approximately \$55,000 per month for the last two years. By the end of the year, the book balance will approach negative \$3.4 million.

State Fiscal Year 2004

Month	Increase in Receivables	Book Balance
July		(\$2,900,000)
August	\$55,000	(\$2,955,000)
September	\$55,000	(\$3,010,000)
November	\$55,000	(\$3,065,000)
January	\$55,000	(\$3,120,000)
February	\$55,000	(\$3,175,000)
March	\$55,000	(\$3,230,000)
April	\$55,000	(\$3,285,000)
May	\$55,000	(\$3,340,000)
June	\$55,000	(\$3,395,000)

Object Detail

FY 1

FY 2

Total

Overall Funding

N	Grants, Benefits & Client Services	3,400,000	0	3,400,000
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DSHS Source Code Detail

Overall Funding

FY 1

FY 2

Total

Fund 001-1, General Fund - Basic Account-State

Sources Title

0011	General Fund State	3,400,000	0	3,400,000
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<i>Total for Fund 001-1</i>	3,400,000	0	3,400,000
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Total Overall Funding	3,400,000	0	3,400,000
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